

Message Text

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PAGE 01 TUNIS 05711 121050Z
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DEPT PASS COMMERCE AND EXIMBANK

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TAGS: EAID, EFIN, BEXP, EQUIP, TS, FR
SUBJ: FRENCH GOVERNMENT CREDITS AND CREDIT INSURANCE FOR
TUNISIA: 1977

REF: TUNIS A-097 AND TUNIS 5282

1. FOLLOWING JULY 20-21 MEETING IN PARIS, TUNISIAN AND FRENCH GOVERNMENTS ANNOUNCED THAT FRENCH TREASURY THIS YEAR WILL EXTEND 154 MILLION FRENCH FRANC (APPROXIMATELY \$31.5 MILLION) CREDIT TO TUNISIA, TO BE ASSOCIATED WITH COMMERCIAL CREDITS GUARANTEED BY COFACE, FOR PURCHASE OF FRENCH EQUIPMENT.

2. FRENCH COMMERCIAL COUNSELOR PAULIEN, WHO ATTENDED MEETING HOSTED BY HIS FINANCE MINISTRY, TELLS US THAT MIXED NATURE OF CREDITS, WITH GOVERNMENTAL LOANS RUNNING 40 TO 50 PERCENT OF CONTRACT PRICES, THAT TOTAL CREDITS TO BE EXTENDED FOR 1977 WILL EXCEED 300 MILLION F9F. BASIC TERMS FOR TREASURY CREDIT ARE 25 YEARS AT 3 PERCENT INTEREST RATE; ASSOCIATED COMMEYCIAL CREDITS RUN ABOUT 7.5 PERCENT PLUS COFACE FEE. AS USUAL, CREDITS UNDER AGREEMENT BROKEN DOWN INTO THREE CATEGORIES: 105
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PAGE 02 TUNIS 05711 121050Z

MILLION FRANCS FOR INDUSTRIAL PROJECTS, 40 MILLION FRANCS FOR INDIVIDUAL ITEMS OF EQUIPMENT, AND 10 MILLION FRANCS FOR SMALL PROJECTS FINANCED THROUGH TUNISIAN DEVELOPMENT BANK (BDET).

3. PAULIEN SAID CREDITS ARE LINKED TO INDICATIVE LIST OF PROJECTS PRESENTED BY GOT AS SUSCEPTIBLE TO FRENCH SOUCING. AMONG THESE ARE SEVERAL FOR WHICH COMPETITIVE NATURE OF FRENCH BIDS

HAS ALREADY BEEN ESTABLISHED (E.G., CEMENT PLANT FOR DJEBEL OUM EL KHELIL, WHERE CONTRACT ALREADY SIGNED WITH FIVES-CAIL BABCOCK OF FRANCE). HOWEVER, FOR MOST PROJECTS LISTED (E.G., STILL OIL REFINERY EXPANSION, EL FOULADH STEEL MILL EXPANSION, CHEMICAL PLANTS AND PORTIONS OF MISKAR NATURAL GAS PROJECT), THERE IS AS YET NO GOT DECISION TO BUY FRENCH. PAULIEN POINTED OUT THAT LIST OF PROJECTS FAR EXCEEDS AVAILABLE FRENCH CREDITS BUT, IF TOO FEW OF THESE PROJECTS LEAD TO FRENCH SALES, THERE MAY BE AGREEMENT TO SUBSTITUTE OTHERS.

4. ORDERS UNDER THE 1977 CREDIT MAY BE SUBMITTED THROUGH DECEMBER 31, 1978.

5. COMMENT: FRENCH TREASURY LOANS PROVIDE USEFUL BALANCE OF PAYMENT ASSISTANCE TO TUNISIA. MIXED WITH COFACE INSURED COMMERCIAL CREDITS, THEY ALSO PROVIDE DAUNTING COMPETITION FOR U.S. EXPORTERS. HOWEVER, ESPECIALLY GIVEN LIMITED SIZE OF SUCH CREDITS RELATIVE TO HUNDREDS OF MILLIONS OF DOLLARS IN FOREIGN PROCUREMENT UNDER TUNISIAN FIFTH PLAN, WE BELIEVE U.S. EXPORTERS--ON BASIS OF PRICE, TECHNOLOGY AND QUALITY--STILL CAN BE HIGHLY COMPETITIVE IN SEEKING CONTRACTS FOR MOST MAJOR INDUSTRIAL PROJECTS.
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